

Audit Policy **Turkish Grameen Microfinance Program (TGMP)**

1. Internal audit responsibilities required to run an effective microfinance business are listed below:

a) Privacy of Branch Visits:

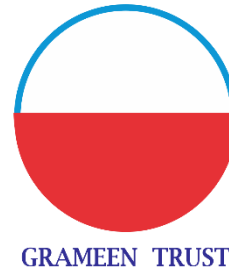
In some cases it is necessary to visit the Control Unit of the branch. The unexpected visit to branches is an essential method for the detection of errors and omissions. The audit should take place with regard to time and should be done in a correct manner.

b) Test Control Method:

A large number of processes take place on a daily basis at a branch. The auditing matters should be defined in advance by the audit department.

c) Issues to be Audited:

- ✓ The correction of information by asking questions from the micro-entrepreneurs (family, population, Turkish citizenship number, date of birth, place of birth, education, home address, etc.)
- ✓ Auditing the daily fingerprint reading device.
- ✓ Compare the daily meter coverage by vehicles.
- ✓ Regional Managers' monthly work schedule should be verified from the daily report.
- ✓ To confirm the visits of the Regional Director at the branch by communication with the members.
- ✓ To audit the travel and other expenditures.
- ✓ To audit file the reports of the branches to the system.



- ✓ To audit the conformity of number of personnel and vehicles with the number of members in Branches.
- ✓ To audit the use of credit of the active members of Damlabank by supervision of communication.
- ✓ To audit the credit and saving distribution.
- ✓ To monitor the irregular payment of problematic borrowers.
- ✓ To confirm the closing account members on a daily basis.
- ✓ To confirm the purpose of loans by asking questions to the members.
- ✓ To check that the staffs working hours are not violated.
- ✓ To achieve zero error in the Damlabank and Accounting Program.
- ✓ To monitor that the vehicles at the branch are not used outside working hours and on weekends.
- ✓ To eliminate errors while filing branch information to the system.
- ✓ To eliminate errors in the credit and saving distribution.
- ✓ To achieve zero error in the accounting files.

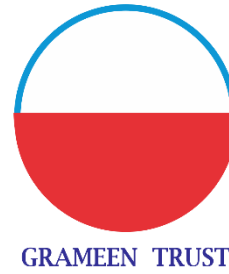
2. Internal Audit Planning and Process:

a) Secret Visit to the Branch Office:

When the auditors go to the branch they should meet with the branch manager and the field officer. The auditor can inquire about any sort of information from the personnel at the branch.

b) Final Audit Process:

During the working hours, the auditor will secretly visit the branch. Firstly, the auditor will check the current cash balance and branch expenses. In addition to this, the accounts of Likom will be controlled. Later, staff absenteeism will be controlled and the update of permission applications will be verified. The branch is responsible for the provision of all required documents.



Following matters are to be considered during the audit

- ✓ To verify the financial documents.
- ✓ To check the accuracy and consistency of bank account balances.
- ✓ Revision of salaries and permissions.
- ✓ To compare the information between Damlabank and Likom.
- ✓ To control the branch inventories.
- ✓ To examine the manner in which the organization is administered while some of the personnel are on permitted leave.
- ✓ To examine the adequacy and effectiveness of the Fund's management.
- ✓ To examine the analysis of Profit and Loss.
- ✓ To verify that the distribution of credit is done according to the procedures of the organization.
- ✓ To audit that the conditions of branch center meetings and group-creation is done according to the procedures of the organization.

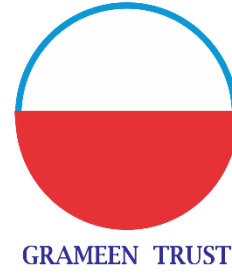
3. Internal Audit Report:

An internal audit report must be prepared at the end of an internal audit assignment. The audit report should be certain, clear and complete. The report should mention findings and recommendations and all the shortcomings should be included.

a) Audit Findings:

The following information should be considered when the audit report is prepared:

- ✓ At the end of the audit, the auditor should report all the data and shortcomings in detail. In order to remove management problems, all the details should be mentioned in the report.



- ✓ Before the report is submitted to the management, all the issues should be discussed with the responsible individuals.
- ✓ Opinions of the responsible individuals should be added to the report. This will minimize the time loss that may occur in the future.
- ✓ The report should provide necessary measures that the management has developed to eliminate the errors.
- ✓ In the previous reports, if the recommendations are not followed then the same issues should be addressed again.
- ✓ Long and complex reports should be summarized.

**TURKISH FOUNDATION FOR WASTE REDUCTION
MICROCREDIT CENTER
(Turkish Grameen Microfinance Program)**

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